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Notice of Annual General Meeting

Notice is hereby given that the eighteenth Annual General Meeting of Melbourne IT Ltd will be held at the Spring Street Conference Centre, No. 1 Spring Street, Melbourne, Victoria on Tuesday, 27 May 2014 at 11:00 am (Melbourne time).

Business

Item 1: Financial Statements and Report

To receive and consider the Annual Financial Report and the Reports of the Directors and Auditor for the financial year ended 31 December 2013.

Shareholders will be asked to consider and, if thought fit, to pass the resolutions below. Items 2 to 7, will be proposed as ordinary resolutions. Item 8 is proposed as a special resolution.

Item 2: Re-election and Election of Directors

- (a) To re-elect Mr Robert Stewart as a Director, who retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers himself for re-election.
- (b) To re-elect Ms Naseema Sparks as a Director, who retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers herself for re-election.
- (c) To elect Mr Larry Bloch as a Director, who was appointed by the Board as a Director of the Company in accordance with rule 9.9 of the Company's Constitution to hold office until the next shareholder meeting. Mr Larry Bloch, being eligible, now offers himself for election.

Item 3: Adoption of the Remuneration Report for the Year Ended 31 December 2013

To adopt the Remuneration Report for the year ended 31 December 2013.

Item 4: LTI Plan – Approval of Melbourne IT Long Term Incentive Plan FY 2014

To consider and, if thought fit, pass the following as an ordinary resolution:

“That any equity securities issued under the Melbourne IT Long Term Incentive Plan FY 2014 be approved for all purposes, including as an exception to ASX Listing Rule 7.1 (Exception 9 of ASX Listing Rule 7.2), on the terms which are described in Item 4 of the Explanatory Notes, during the three years following the date of this meeting.”

Item 5: LTI Plan – Grant of Performance Rights to the Managing Director and Chief Executive Officer

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the issue of 296,610 performance rights, and for the issue of shares on vesting of those rights, to the Managing Director and Chief Executive Officer under the Melbourne IT Long Term Incentive Plan FY 2014 grant, on the terms summarised in Item 5 of the Explanatory Notes.”

Item 6: Approval of potential termination benefits provided to the Managing Director and Chief Executive Officer

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, for the purpose of Part 2D.2 Division 2 of the Corporations Act, approval be given for the giving of potential benefits to the Managing Director & CEO, Mr Martin Mercer, in connection with him ceasing to hold a managerial or executive office or position of employment in the Company or a related body corporate, as described in Item 6 of the Explanatory Notes.”

Item 7: Approval of shares issued to Corpsand Pty Ltd under ASX Listing Rule 7.1

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“For the purposes of ASX Listing Rule 7.1, approval be given to the 9,208,363 ordinary shares issued to Corpsand Pty Ltd.”

Item 8: Financial Assistance

To consider and, if thought fit, pass the following resolution as a special resolution:

“That, in accordance with section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the provision of financial assistance proposed to be given by:

- (a) Netregistry Group Limited (ACN 128 050 019) (the **Target**);*
- (b) Netalliance Domain No. 1 Pty Ltd (ACN 152 545 518);*
- (c) TPP Wholesale Pty Ltd (ACN 109 565 095);*
- (d) MD Web Hosting Pty Ltd (ACN 109 613 194);*
- (e) PlanetDomain Pty Ltd (ACN 122 194 745);*
- (f) Ziphosting Pty Ltd (ACN 114 868 852);*
- (g) Domain Privacy Services Pty Ltd (ACN 127 464 975);*
- (h) Netregistry Pty Ltd (ACN 080 859 721);*
- (i) TPP Domains Pty Ltd (ACN 104 263 292); and*
- (j) any other subsidiary of the Target which grants financial assistance under or in connection with the Acquisition (as defined below) for the purposes of section 260A of the Corporations Act),*

*(the **Acquired Companies**)*

to assist the acquisition by the Company of all of the issued shares in the Acquired Companies, or the holding company of the relevant Acquired Company and all elements of that transaction and any other transactions that may constitute financial assistance by the Acquired Companies for the purposes of section 260A of the Corporations Act in connection with the Acquisition, as described in Item 8 of the Explanatory Notes.”

The proposed items of business should be read in conjunction with the Explanatory Notes accompanying and forming part of this Notice of Meeting.

Other Business

In accordance with the Corporations Act 2001 (Cth), a reasonable opportunity will be given to shareholders, as a whole, to ask questions or make comments at the meeting on the management of the Company, including asking questions of the auditor of the Company.

By order of the Board



Arnaud Desprets
Company Secretary
22 April 2014

Explanatory Notes

The information below is an explanation of the business to be considered at the Annual General Meeting (AGM).

Item 1: Financial Statements and Report

The Annual Financial Report and the reports of the Directors and the Auditor for the financial year ended 31 December 2013 will be presented for consideration. The Annual Report is available on the Company's corporate website (<http://melbourneit.info/>) (and will be mailed to shareholders who have elected to receive a hard copy).

Item 2: Re-election and Election of Directors

In accordance with rule 9.3 of the Company's Constitution:

- (a) Mr Robert Stewart retires by rotation and, being eligible, offers himself for re-election.
- (b) Ms Naseema Sparks retires by rotation and, being eligible, offers herself for re-election.

In accordance with rule 9.9 of the Company's Constitution:

- (c) Mr Larry Bloch was appointed by the Board as a Director of the Company to hold office until the next shareholder meeting. Mr Larry Bloch, being eligible, now offers himself for election.

Personal particulars for Mr Stewart, Ms Sparks and Mr Bloch are set out below.

Item 2(a): Mr Robert Stewart

Mr Robert Stewart – Non-Executive Director

Mr Stewart is a highly experienced company director and management consultant with a legal and general management background. He has served on the boards of seven publicly listed companies as well as a number of private commercial companies and not for profit organisations, particularly in the technology area. Currently, Mr Stewart is Chairman of C E Bartlett Pty Ltd, one of the leading manufacturers in Australia of quality products in the fabrication of synthetic and canvas fabrics; Chairman of jobsjobsjobs Pty Ltd, an online network of jobs boards and a provider of proprietary software to recruiters, publishers and corporate; a director of QSR International Pty Ltd, which produces the world's leading qualitative research software; and a director of RMIT Training Pty Ltd, which specialises in English language training and electronic publishing.

Mr Stewart was appointed to the Melbourne IT Board on 14 September 1999 and held the position of Chairman of the Company until 31 October 2009 and is Chairman of the Audit & Risk Management Committee (**ARMC**).

Item 2(b): Ms Naseema Sparks

Ms Naseema Sparks – Non-Executive Director

Ms Sparks is a highly experienced independent director and serves on a number of listed and unlisted entities including PMP Ltd, Shadforth Financial Group (ASX:SFW) and pureplay online retailer DealDirect (ASX:MNZ). Ms Sparks is also Deputy Chairman of the NSW racing regulator, Racing NSW, and is a member of the Sydney Dance Company board.

Ms Sparks is a 'top line growth' director as her skill base includes strategy, branding and marketing digital communications. In addition, she has a deep understanding of consumer drivers of demand. Ms Sparks has hands-on management and operational experience in organisations where the main driver of profit and differentiation is human capital, as such she contributes a unique and insightful commercial perspective to board and governance issues. Ms Sparks' executive career was as Managing Director of global communications company M&C Saatchi and she holds an MBA from Melbourne Business School.

Ms Sparks was appointed to the Board in April 2012, and is Chairman of the Human Resources, Remuneration and Nomination Committee (**HRRNC**).

Item 2(c): Mr Larry Bloch

Mr Larry Bloch – Non-Executive Director

Mr Bloch has been a serial entrepreneur, pioneer and leader in the online business services industry for 20 years. He founded NetBenefit in the UK in 1994 and was its first Managing Director. NetBenefit rapidly became the largest domain and hosting provider in Europe. Mr Bloch also founded Virtual Internet in France in 1996. After selling NetBenefit to General Internet Corporation in 1997, he relocated to Sydney.

Mr Bloch co-founded Netregistry Group Limited in 1997 and was its major shareholder, CEO and Chairman for 17 years. In 2014 he sold Netregistry Group Limited to Melbourne IT Limited.

Mr Bloch holds a B.Sc Degree and two Post Graduate Honours Degrees in Pure Mathematics and Computer Science from the University of Cape Town.

Mr Bloch was appointed to the Board in April 2014, is a member of the Human Resources, Remuneration and Nomination Committee (**HRRNC**) and following the sale of Netregistry is a significant Melbourne IT shareholder.

Board recommendation

The Board (other than Mr Stewart, Ms Sparks and Mr Bloch, in relation to their own election or re-election (as applicable)) recommends that you vote in favour of these resolutions.

Item 3: Adoption of Remuneration Report for the Year Ended 31 December 2013

The Remuneration Report is presented within the Directors' Report of the Company's 31 December 2013 Annual Report. It is also available on the Company's corporate website (<http://melbourneit.info/>).

Shareholders will be asked to vote on a resolution to adopt the Remuneration Report at the AGM. The vote on the resolution will be advisory only and will not bind the Directors or the Company. However, under the Corporations Act, if 25 per cent or more of the votes cast on the resolution at the AGM are against adoption of the Remuneration Report, then:

- if comments are made on the Remuneration Report at the AGM, the Company's Remuneration Report for the year ended 31 December 2014 (**2014 Remuneration Report**) will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this, and
- if, at next year's AGM, at least 25 per cent of the votes cast on the resolution for adoption of the 2014 Remuneration Report are against it, the Company will be required to put to shareholders a resolution proposing that an extraordinary general meeting (**EGM**) be called to consider the election of Directors (spill resolution). If a spill resolution is passed (i.e., more than 50 per cent of the votes cast are in favour of it), all of the Directors (other than the Managing Director & CEO) who were Directors when the resolution for adoption of the 2014 Remuneration Report was voted on will cease to hold office at the subsequent EGM and may present themselves for re-election at that EGM.

The Board will take the outcome of the vote on resolution 3 into consideration when reviewing the remuneration policy for Directors and executives in the future.

A reasonable opportunity will be provided for shareholders to ask questions about or to make comments on the Remuneration Report at the AGM.

Board recommendation

The Board recommends that shareholders vote in favour of this resolution.

Voting exclusion statement

Please refer to Item 3 of 'Voting Exclusion Statements' in General Information below.

Item 4: LTI Plan – Approval of Melbourne IT Limited Long Term Incentive Plan

Background

The Human Resources, Remuneration and Nomination Committee (**HRRNC**) has undertaken a review of the Company's long term incentive arrangements for executives and selected senior management roles and agreed in principle to proceed with a new long term incentive plan. The previous long term incentive plan has now come to an end. The Board has since approved the adoption of the Melbourne IT Long Term Incentive Plan (**Plan**).

Under the previous long term incentive plan, the last performance rights granted to executive key management personnel (**KMP**) and other eligible senior executives occurred in 2012. No performance rights were granted in 2013 under that previous plan.

The new Plan is the Company's principal vehicle to grant long term incentive awards and forms what the Board considers to be a key element of the Company's total remuneration strategy for executive KMP and other eligible senior executives. Awards under the Plan will be in the form of Performance Rights.

The primary objectives of the Plan are to:

- ensure focus on medium to long term performance and growth of the Company;
- create long term shareholder value;
- encourage alignment between remuneration outcomes and shareholder interests;
- clearly align remuneration outcomes with the strategic goals of the Company; and
- ensure executive KMP and other eligible senior executives are retained with the Company during key milestone initiatives (including the integration of Netregistry Group and Melbourne IT).

Approvals sought

ASX Listing Rule 7.1 provides that an ASX listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12 month period without shareholder approval (**15% Rule**).

Under Listing Rule 7.2, shareholders may approve the issue of equity securities under an employee incentive scheme as an exception to the 15% Rule. If such approval is obtained, any Performance Rights granted under the Plan (and shares allocated upon vesting of those Performance Rights) would not be counted towards the Company's capacity to issue securities under the 15% Rule.

This approval continues for three years, at which time it must be renewed, or it will expire. In the absence of such an approval, issues of securities under the Plan may still be made, but must fall within the 15% Rule at the time of issue.

In the Board's opinion, the resolution will assist the Company in managing its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues under the Plan and capacity is available for capital management initiatives and acquisitions, if necessary and appropriate.

Key terms

A summary of the key terms of the Plan is set out below.

TERM	DETAIL
Purpose	The Plan will operate to allow the Board to grant equity awards in the form of Performance Rights as part of the long term incentive component of remuneration, as determined by the Board from time to time.
Performance Rights	Each Performance Right is a right to acquire one ordinary share in the Company (or an equivalent cash amount) upon satisfaction of the vesting conditions, as determined by the Board. Each grant will specify the minimum and maximum number or value of shares in the Company that the participant may receive if the vesting conditions are satisfied.
Eligible participants	The Board may grant Performance Rights to executives and other selected employees of the Company. In general, the Board will invite those executives and employees who have capacity to impact the long term performance of the Company to participate in the Plan. It is intended that the number of executives and other selected employees participating in the Plan will not exceed 20.
Vesting conditions	The Board may determine vesting conditions, which may include performance and/or service conditions that must be satisfied before the Performance Rights vest. The vesting conditions will be measured and tested over a period determined by the Board. It is intended that the vesting period will be a period of three years.
Other terms	The Board may determine the terms of the Performance Rights, including whether Performance Rights must be exercised in order to be allocated Shares, whether any price is payable for the grant or upon exercise, and any other lapsing conditions.
Entitlements	Performance Rights do not carry any dividend or voting rights. Performance Rights are non-transferable, except in limited circumstances or with the consent of the Board.
Date of grant	If shareholder approval is obtained, the Performance Rights will be granted to executive KMP and other eligible senior executives as soon as practicable after the AGM, but in any event, within 12 months of the AGM.
Performance hurdles	The Performance Rights are subject to two performance hurdles which are independent and will be tested separately. (1) EPS performance 50% of the Performance Rights will be subject to an EPS hurdle, based on the Company's growth in EPS over the Performance Period (EPS Hurdle). Broadly, EPS measures the earnings generated by the Company attributable to each share on issue. The growth in the Company's EPS over the relevant Performance Period will be measured by comparing the underlying base year and final year EPS results (i.e. FY 13 and FY 16 respectively) to determine annual compound growth. The underlying EPS result will be calculated by adding together the following: <ul style="list-style-type: none"> • the normalised FY 2013 Melbourne IT EBITDA (taking into account annualised future cost savings which were not fully realised in FY 2013); and • a normalised 12 month NetRegistry EBITDA. The percentage of Performance Rights subject to the EPS Hurdle that vest, if any, will be determined by reference to the EPS achieved over the Performance Period compared to the Company's targets, as follows:

TERM	DETAIL																				
	<table border="1" data-bbox="512 232 1453 600"> <thead> <tr> <th data-bbox="512 232 927 344">Melbourne IT EPS growth</th> <th data-bbox="927 232 1166 344">Annual compound growth</th> <th data-bbox="1166 232 1453 344">Performance Rights subject to EPS Hurdle that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 344 927 405">Maximum % or above</td> <td data-bbox="927 344 1166 405">>17%</td> <td data-bbox="1166 344 1453 405">100%</td> </tr> <tr> <td data-bbox="512 405 927 546">Between threshold % and maximum %</td> <td data-bbox="927 405 1166 546">12% to 17%</td> <td data-bbox="1166 405 1453 546">Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)</td> </tr> <tr> <td data-bbox="512 546 927 600">Less than the threshold %</td> <td data-bbox="927 546 1166 600"><12%</td> <td data-bbox="1166 546 1453 600">0%</td> </tr> </tbody> </table> <p data-bbox="512 613 1453 734">The Board retains a discretion to adjust the EPS performance hurdle to ensure that executive KMP and other eligible senior executives (and all other Plan participants) are neither advantaged nor disadvantaged by matters outside management's control that affect EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).</p> <p data-bbox="512 757 730 788">(b) TSR performance</p> <p data-bbox="512 810 1453 994">50% of the Performance Rights will be subject to a TSR hurdle, based on the Company's relative total shareholder return (TSR) performance tested at the end of the applicable Performance Period (TSR Hurdle). The TSR Hurdle is tested by measuring the Company's TSR performance against the TSR performance of a peer group of companies from the S&P/ASX Small Ordinaries index excluding any metals & mining, energy and property trusts (selected by the Board at the time of each grant).</p> <p data-bbox="512 1016 1453 1111">The percentage of Performance Rights subject to the TSR Hurdle that vest, if any, will be determined by reference to the Company's performance against the comparator group over the performance period.</p> <table border="1" data-bbox="512 1133 1453 1478"> <thead> <tr> <th data-bbox="512 1133 1038 1232">Melbourne IT TSR performance Relative TSR ranking against peer group</th> <th data-bbox="1038 1133 1453 1232">Performance Rights subject to TSR Hurdle that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 1232 1038 1292">Above the 75th percentile</td> <td data-bbox="1038 1232 1453 1292">100%</td> </tr> <tr> <td data-bbox="512 1292 1038 1411">50th to 75th percentile</td> <td data-bbox="1038 1292 1453 1411">Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)</td> </tr> <tr> <td data-bbox="512 1411 1038 1478">Below the 50th percentile</td> <td data-bbox="1038 1411 1453 1478">0%</td> </tr> </tbody> </table> <p data-bbox="512 1491 1453 1585">The Board retains discretion to adjust the TSR Hurdle to ensure that executive KMP and other eligible senior executives (and all other Plan participants) are neither advantaged nor disadvantaged by matters outside management's control that affect achievement of the hurdle.</p>	Melbourne IT EPS growth	Annual compound growth	Performance Rights subject to EPS Hurdle that vest (%)	Maximum % or above	>17%	100%	Between threshold % and maximum %	12% to 17%	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Less than the threshold %	<12%	0%	Melbourne IT TSR performance Relative TSR ranking against peer group	Performance Rights subject to TSR Hurdle that vest (%)	Above the 75 th percentile	100%	50 th to 75 th percentile	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Below the 50 th percentile	0%
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Below the 50 th percentile	0%																				
Allocation of shares upon vesting	<p data-bbox="512 1621 1453 1684">The Company may issue new shares or procure the acquisition of shares on-market to satisfy vested Performance Rights.</p> <p data-bbox="512 1706 1453 1769">The Company may operate an employee share trust to acquire, hold or provide shares for the purposes of the Plan.</p> <p data-bbox="512 1792 1453 1854">No trading restriction will be placed on shares allocated following vesting, subject to the Company Share Trading Policy, unless the Board determines otherwise.</p>																				

TERM	DETAIL
Cessation of employment	<p>Where a participant ceases employment with the Company prior to Performance Rights vesting, the treatment will depend on the circumstances of cessation.</p> <p>Where the participant ceases employment due to resignation or termination by the Company for cause, all unvested Performance Rights will lapse at cessation.</p> <p>Where a participant ceases employment for any other reason prior to Performance Rights vesting, a pro-rata portion of unvested Performance Rights (based on the period of time employed during the vesting period) will generally continue on-foot and be tested at the end of the original vesting date against the relevant vesting conditions. However, the Board has discretion to apply another treatment that it deems appropriate in the circumstances (including that another number of Performance Rights may vest either at cessation or at the end of the original vesting date, or that some or all of the Performance Rights lapse).</p>
Change of control	<p>Where a change of control event occurs, the Board has discretion to determine whether any unvested Performance Rights should ultimately vest, lapse or become subject to different vesting conditions.</p> <p>In making such a determination, the Board may have regard to any factors that the Board considers relevant, including the performance period elapsed at the time of the event, the extent to which the vesting conditions have been satisfied at the time of event and the circumstances of the event.</p> <p>The Company also has specific rules in relation to divestments, with the Board having the discretion to determine an appropriate treatment for participants in the event of the divestment of a “material” part of the business.</p>
Clawback	In the event of fraud, dishonesty or material misstatement of financial statements, the Board may make a determination, including lapsing unvested Performance Rights or ‘clawing back’ shares allocated upon vesting, to ensure that no unfair benefit is obtained by a participant.
Adjustment of awards	The Board has discretion to adjust the number of Performance Rights in the event of a variation of capital or other corporate transaction to ensure participants do not enjoy a windfall gain or suffer a material detriment as a result of the variation.
Administration of Plan	<p>The Plan may be administered either by the Board or an external party, including using a trust to acquire, hold, or provide shares to satisfy the awards.</p> <p>The Board is given the power to make all required determinations under the Plan and to waive or modify the application of the terms of the Plan and the Performance Rights granted under it as it considers appropriate.</p>

A copy of the Plan Rules will be available for inspection at the Company’s registered office during normal business hours, prior to the Annual General Meeting on Tuesday, 27 May 2014.

As this is a new Plan, no Performance Rights have been issued under it to date. Separate shareholder approval is being sought for the grant of Performance Rights to the Managing Director and Chief Executive Officer (see Explanatory Notes for Item 5 below).

Board recommendation

The Board unanimously recommends that shareholders vote in favour of Item 4.

Voting exclusion statement

Please refer to Item 4 of ‘Voting Exclusion Statements’ in General Information below.

Item 5: LTI Plan – Grant of Performance Rights to the Managing Director and Chief Executive Officer

Overview of Performance Rights grant under LTI component of remuneration

The Company has recently established a long term incentive (LTI) plan (Plan) as part of its executive remuneration strategy (as described in Item 4). Under the Plan, eligible executives are offered performance rights to acquire shares in the Company subject to the satisfaction of certain performance conditions.

A more detailed overview of the Plan can be found in Item 4.

Why is shareholder approval being sought?

ASX Listing Rule 10.14 requires shareholder approval in order for a director to be issued equity securities in the Company under an employee incentive scheme. It is intended that shares will be acquired on market to satisfy awards that vest under the Plan and therefore, shareholder approval for an issue of shares on vesting of the Performance Rights would not be required under the ASX Listing Rules. However, shareholder approval is being sought to preserve the flexibility for shares to be issued under the Plan.

Accordingly, shareholders are asked to approve the grant of 296,610 Performance Rights to Mr Mercer under the FY 2014 grant, on the terms and conditions set out in the Explanatory Notes. If shareholder approval is not obtained in relation to the proposed grant of Performance Rights to the Managing Director and Chief Executive Officer, the Company will provide Mr Mercer with an equivalent cash-based LTI award.

Further details of Mr Mercer's executive remuneration package were as disclosed to the market on 17th January 2014 in the Melbourne IT 'CEO Appointment' company announcement.

Key terms of the Performance Rights grant

A brief overview of the key terms of the proposed grants to Mr Mercer is set out below.

TERM	DETAIL
Details of the proposed LTI grant	<p>The proposed FY 2014 grant for Mr Mercer is for 296,610 Performance Rights.</p> <p>The grant represents the long term incentive component of Mr Mercer's remuneration package (LTI grant).</p> <p>The maximum number of performance rights has been calculated based on 70% of Mr Mercer's annual salary package (Salary Remuneration). The grant value has then been divided by the volume weighted average market price (VWAP) of the Company's shares over the 20 day trading period immediately preceding 1 January 2014, with such adjustments as the Board considers necessary to reflect the capital return announced on 20 December 2013 and made on 19 February 2014. Thereafter, the number of Performance Rights granted will depend on the annual award potential and the applicable VWAP calculation.</p>
Entitlements	<p>Each Performance Right is a right to acquire one share in the Company (or an equivalent cash amount), subject to the achievement of the performance conditions set out below.</p> <p>Performance Rights do not carry any dividend or voting rights.</p> <p>Performance Rights are non-transferable, except in limited circumstances or with the consent of the Board.</p>
Date of grant	<p>If shareholder approval is obtained, the Performance Rights will be granted to Mr Mercer as soon as practicable after the AGM, but in any event, within 12 months of the AGM.</p>
Performance hurdles	<p>The Performance Rights are subject to two performance hurdles which are independent and will be tested separately.</p> <p>(1) EPS performance</p> <p>50% of the Performance Rights will be subject to an EPS hurdle, based on the Company's growth in EPS over the Performance Period (EPS Hurdle).</p> <p>Broadly, EPS measures the earnings generated by the Company attributable to each share on issue.</p> <p>The growth in the Company's EPS over the relevant Performance Period will be measured by comparing the underlying base year and final year EPS results (i.e. FY 13 and FY 16 respectively) to determine annual compound growth. The underlying EPS result will be calculated by adding together the following:</p> <ul style="list-style-type: none">• the normalised FY 2013 Melbourne IT EBITDA (taking into account annualised future cost savings which were not fully realised in FY 2013); and• a normalised 12 month NetRegistry EBITDA. <p>The percentage of Performance Rights subject to the EPS Hurdle that vest, if any, will be determined by reference to the EPS achieved over the Performance Period compared to the Company's targets, as follows:</p>

TERM	DETAIL																				
	<table border="1" data-bbox="536 232 1444 600"> <thead> <tr> <th data-bbox="536 232 938 344">Melbourne IT EPS growth</th> <th data-bbox="938 232 1177 344">Annual compound growth</th> <th data-bbox="1177 232 1444 344">Performance Rights subject to EPS Hurdle that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="536 344 938 398">Maximum % or above</td> <td data-bbox="938 344 1177 398">>17%</td> <td data-bbox="1177 344 1444 398">100%</td> </tr> <tr> <td data-bbox="536 398 938 546">Between threshold % and maximum %</td> <td data-bbox="938 398 1177 546">12% to 17%</td> <td data-bbox="1177 398 1444 546">Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)</td> </tr> <tr> <td data-bbox="536 546 938 600">Less than the threshold %</td> <td data-bbox="938 546 1177 600"><12%</td> <td data-bbox="1177 546 1444 600">0%</td> </tr> </tbody> </table> <p data-bbox="536 613 1444 734">The Board retains a discretion to adjust the EPS performance hurdle to ensure that Mr Mercer (and all other Plan participants) are neither advantaged nor disadvantaged by matters outside management's control that affect EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).</p> <p data-bbox="536 757 746 788">(b) TSR performance</p> <p data-bbox="536 810 1444 994">50% of the Performance Rights will be subject to a TSR hurdle, based on the Company's relative total shareholder return (TSR) performance tested at the end of the applicable Performance Period (TSR Hurdle). The TSR Hurdle is tested by measuring the Company's TSR performance against the TSR performance of a peer group of companies from the S&P/ASX Small Ordinaries index excluding any metals & mining, energy and property trusts (selected by the Board at the time of each grant).</p> <p data-bbox="536 1016 1444 1111">The percentage of Performance Rights subject to the TSR Hurdle that vest, if any, will be determined by reference to the Company's performance against the comparator group over the performance period.</p> <table border="1" data-bbox="536 1137 1444 1487"> <thead> <tr> <th data-bbox="536 1137 1066 1236">Melbourne IT TSR performance Relative TSR ranking against peer group</th> <th data-bbox="1066 1137 1444 1236">Performance Rights subject to TSR Hurdle that vest (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="536 1236 1066 1294">Above the 75th percentile</td> <td data-bbox="1066 1236 1444 1294">100%</td> </tr> <tr> <td data-bbox="536 1294 1066 1429">50th to 75th percentile</td> <td data-bbox="1066 1294 1444 1429">Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)</td> </tr> <tr> <td data-bbox="536 1429 1066 1487">Below the 50th percentile</td> <td data-bbox="1066 1429 1444 1487">0%</td> </tr> </tbody> </table> <p data-bbox="536 1500 1444 1594">The Board retains discretion to adjust the TSR Hurdle to ensure that Mr Mercer (and all other Plan participants) are neither advantaged nor disadvantaged by matters outside management's control that affect achievement of the hurdle.</p>	Melbourne IT EPS growth	Annual compound growth	Performance Rights subject to EPS Hurdle that vest (%)	Maximum % or above	>17%	100%	Between threshold % and maximum %	12% to 17%	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Less than the threshold %	<12%	0%	Melbourne IT TSR performance Relative TSR ranking against peer group	Performance Rights subject to TSR Hurdle that vest (%)	Above the 75 th percentile	100%	50 th to 75 th percentile	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Below the 50 th percentile	0%
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50 th to 75 th percentile	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)																				
Below the 50 th percentile	0%																				
Performance period and vesting	<p data-bbox="536 1621 1444 1742">The performance period is three years, commencing 1 January 2014 and ending on 31 December 2016. However, as the Company's full-year results will not be announced to the market until February following the end of the performance period, Performance Rights will not vest until on or around March 2017.</p> <p data-bbox="536 1765 1444 1832">Any Performance Rights that do not vest following testing of the performance hurdles at the end of the performance period will lapse.</p>																				
Allocation of shares upon vesting	<p data-bbox="536 1861 1444 1955">Following testing of the applicable performance conditions and determination of the level of vesting of Performance Rights, one fully paid share in the Company will be allocated in relation to each Performance Right which vests.</p> <p data-bbox="536 1977 1444 2045">The Company's obligation to allocate shares on vesting may be satisfied by issuing new shares, acquiring shares on market or transferring shares from an employee share trust.</p>																				
Trading restrictions	<p data-bbox="536 2069 1444 2136">Shares allocated on vesting of Performance Rights will not be subject to any further trading restrictions, subject to complying with the Company's Share Trading Policy.</p>																				

TERM	DETAIL
Price payable for securities	No amount will be payable in respect of the allocation of Performance Rights, nor in respect of any shares granted upon vesting of the Performance Rights.
Cessation of employment	<p>If Mr Mercer ceases employment with the Company before the end of the performance period, the treatment will depend on the circumstances of cessation.</p> <p>All unvested Performance Rights will lapse in the event of resignation or termination for cause. Where Mr Mercer ceases employment for any other reason, a pro-rata portion of unvested Performance Rights (based on the period of time employed during the vesting period) will generally continue on-foot and be tested at the end of the original vesting date against the relevant vesting conditions. However, the Board has discretion to apply another treatment that it deems appropriate in the circumstances.</p>
Other information	<p>No other director of the Company is eligible to participate in the Plan or any other employee incentive scheme of the Company.</p> <p>As the Plan is a newly established Plan, no Performance Rights have been granted under the Plan.</p> <p>No loans will be made available to Mr Mercer in connection with his participation in the Plan.</p>

Board recommendation

The Board (other than Mr Martin Mercer who abstains from making a recommendation because of his interest in the resolution) unanimously recommends that shareholders vote in favour of Item 5.

Voting exclusion statement

Please refer to Item 5 of 'Voting Exclusion Statements' in General Information below.

Item 6: Approval of potential termination benefits provided to the Managing Director and Chief Executive Officer

Background

Shareholders will be asked to approve the potential benefits which may be payable to the Managing Director & CEO, upon cessation of his employment with the Company, so that the Company is able to meet its existing contractual obligations to the Managing Director & CEO, and to ensure that the Company continues to remunerate fairly and responsibly.

The following information sets out:

- who this resolution applies to and background as to why approval is being sought;
- the Company's remuneration framework;
- information on the potential termination benefits that may be given to the Managing Director & CEO in the event he ceases employment with the Company; and
- the matters, events and circumstances that may affect the calculation of the value of the termination benefits.

Who these resolutions affect

Approval is sought for the termination benefits that may be given to the Managing Director & CEO (Item 6), in connection with his retirement from the Company.

Remuneration framework

This section describes the key features of the Company's annual remuneration framework to provide background for the termination benefits which may be given to the Managing Director & CEO. The relevant remuneration framework consists of:

- a fixed component (base pay and benefits, including superannuation);
- a short-term incentive (**STI**). STI payments are based on satisfaction of key performance indicators (**KPI's**) based on the performance of the Company and specific operational targets; and
- a long-term incentive (**LTI**) by way of participation in the Company's Long Term Incentive Plan (**Plan**).

A combination of the above components is used to form his total annual remuneration. The current target proportion of each component (i.e. remuneration mix) was disclosed to the market on 17th January 2014 in the Melbourne IT 'CEO Appointment' company announcement.

The Board may change the proportion of the components from time to time to ensure that the Company's remuneration framework involves an appropriate "at risk" component, is aligned with corporate objectives and reflects market standards in accordance with advice given from remuneration consultants.

Shareholders are not being asked to approve any increase in the remuneration or benefits for the Managing Director & CEO, nor any variations to the existing discretions of the Board. No change to the underlying employment arrangements or individual entitlements is being proposed. The approval being sought is in relation to the Company's existing obligations to the Managing Director & CEO, to enable the Company to operate its remuneration programs.

Termination benefit approval – Part 2D.2 Division 2 of the Corporations Act

Under Part 2D.2 Division 2 of the Corporations Act, the Company, its associates and any prescribed superannuation fund in connection with the Company are prohibited from giving a person who holds a "managerial or executive office" a benefit in connection with their ceasing to hold an office or position of employment with the Company unless shareholders approve the giving of the benefit or an exemption applies.

Benefits that require shareholder approval and benefits that are exempt

"Benefit" is defined broadly in the Corporations Act to include most forms of valuable consideration. Termination benefits under the Corporations Act include a range of payments or benefits given in connection with a person ceasing to hold an office or position of employment including termination payments or other benefits such as an accelerated or automatic vesting of share-based payments due to a person ceasing to hold an office or position of employment.

There is an exception to the prohibition on the provision of benefits where the value of the benefits does not exceed the statutory cap of one year's average base salary (as calculated in accordance with the Corporations Act).

Reasons why shareholder approval is being sought

Shareholder approval is sought for the following benefits which the Managing Director & CEO may potentially receive under his contract of employment with the Company and the policies and incentive plans of the Company:

- payments under the Managing Director & CEO's contractual agreement;
- payments or benefits in connection with the STI; and
- payments or benefits in connection with the Plan, including the automatic or accelerated vesting of performance rights issued under the Plan,

in addition to any payments or amounts that may be provided to the Managing Director & CEO which are excluded from the operation of the statutory cap (such as statutory entitlements to accrued annual and long service leave, amounts required to be paid by law and genuine redundancy payments). Further information on potential termination benefits is set out in the 'Details of termination benefits' section of these Explanatory Notes.

Payments in lieu of notice, STI payments and LTI payments made to the Managing Director & CEO under his executive contractual agreement may, separately or in aggregate, exceed the statutory cap. Furthermore, when aggregated with other benefits which the Managing Director & CEO may receive under or in connection with the Plan, his total termination benefits may then exceed the statutory cap. The possible total termination benefits that may be given to the Managing Director & CEO may, depending on the circumstances, exceed the statutory cap.

Details of termination benefits

Possible termination benefits to the Managing Director & CEO

The below table describes the potential termination benefits that may be given to the Managing Director & CEO in addition to those excluded by the statutory cap outlined above, the manner in which the amount or value of the potential termination benefits to the Managing Director & CEO are to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of that benefit, as detailed for each benefit below.

Table: Summary of potential termination benefits for the Managing Director & CEO

Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
<p><i>Termination payments under individual executive contractual agreements (payments in lieu of notice)</i></p>	<p>The Managing Director & CEO is entitled to notice of termination under his executive contractual agreement.</p> <p>The Company has the ability to terminate the Managing Director & CEO's employment without cause with immediate effect and, where acceptable by local law, by making a contractual termination payment.</p>	<p>The following termination payments are the maximum that may be payable under the Managing Director & CEO's executive contractual agreement depending on the circumstances of the termination:</p> <ul style="list-style-type: none"> • where the Managing Director & CEO provides six months' notice of termination, the Company may make a payment in lieu of all or part of this notice period (calculated on the Managing Director & CEO's base remuneration); and • where the Group terminates the Managing Director & CEO's employment (other than for cause), the Managing Director & CEO may be entitled to receive a termination payment equal to 12 months' base remuneration. <p>The Managing Director & CEO's base remuneration consists of the following components:</p> <ul style="list-style-type: none"> • cash salary; • superannuation contributions; and • other non-cash benefits agreed between the Managing Director & CEO and the Company from time to time. <p>The Managing Director & CEO's current base remuneration was disclosed to the market on 17th January 2014 in the Melbourne IT 'CEO Appointment' company announcement.</p>	<p>The amount of any payment can only be determined once notice of termination is given. Accordingly, the amount of any termination payment cannot be ascertained as at the date of the Notice of Meeting. However, in all cases the termination payments will not exceed the payments described in this table.</p> <p>Key matters, events or circumstances which will, or are likely to affect the calculation of the termination payment include:</p> <ul style="list-style-type: none"> • the Managing Director & CEO's total fixed annual remuneration at the time of his termination which will be set on an annual basis following his remuneration review; and • where notice of termination is given by the Managing Director & CEO, the length of any period of notice he is required to work by the Company, for which payment is being made.

Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
<p><i>Short-term incentive</i></p>	<p>The Managing Director & CEO is eligible to be considered for an annual STI payment.</p> <p>The STI payment is conditional on satisfaction of performance hurdles which are set by the Board.</p> <p>Based upon an annual performance review and success in meeting or exceeding targets, the cash component of the STI is payable on or before April 30 each year in respect of the prior financial year.</p> <p>The Board is responsible for assessing the performance of the Managing Director & CEO.</p> <p>For the Managing Director & CEO the current maximum target bonus opportunity was disclosed to the market on 17th January 2014 in the Melbourne IT 'CEO Appointment' company announcement.</p> <p>The maximum STI target of the Managing Director & CEO may be amended from time to time by the Board in order to ensure that the Company's remuneration framework involves an appropriate "at risk" component, is aligned with corporate objectives and reflects market standards.</p> <p>The short term performance incentives may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Board, through the Human Resources, Remuneration and Nomination Committee (HRRNC). The STI target annual amount is reviewed annually. The amount of STI that the Managing Director & CEO can potentially receive is capped at 150% of the STI target amount.</p>	<p>STI payments are normally only payable where the Managing Director & CEO remains employed for the full financial year. However, in the event that:</p> <ul style="list-style-type: none"> • the Managing Director & CEO's employment is terminated by the Company (unless summarily terminated for cause); or • the Managing Director & CEO retires or resigns due to ill health, <p>prior to the end of a full financial year, the Managing Director & CEO will be entitled to receive a pro rata payment based on:</p> <ul style="list-style-type: none"> • the proportion of the year served by the Managing Director & CEO during the financial year; and • the Board's assessment of the Managing Director & CEO's performance against the KPIs as at the date of termination. <p>However, while assessment of performance against KPIs is assessed as at the date of termination, payment of the STI will not be accelerated and will be made at the usual time.</p> <p>The early assessment of hurdles or the payment of pro rata STI in these circumstances may constitute a termination benefit for the purposes of the Corporations Act.</p>	<p>The amount of any STI payment which may be made to the Managing Director & CEO in these circumstances cannot be ascertained as at the date of the Notice of Meeting.</p> <p>Key matters, events or circumstances which will, or are likely to affect the calculation of the STI payment include:</p> <ul style="list-style-type: none"> • the Company's performance; • the circumstances in which the Managing Director & CEO ceases employment; • the achievement of KPIs by the Managing Director & CEO (as assessed by the Board); • the target STI opportunity and total fixed remuneration for the relevant year of the Managing Director & CEO; and • the proportion of the year served by the Managing Director & CEO.

Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
<i>Long-term incentive plan (Plan)</i>	The Managing Director & CEO will participate in the LTI Plan as described in Item 5.	<p>While the Board intends to leave LTI's on foot in the event of termination (other than resignation or termination for cause), the Board may in limited circumstances, in its discretion, determine to accelerate the vesting of all or part of the performance rights held by the Managing Director & CEO if he ceases employment. These limited circumstances may include:</p> <ul style="list-style-type: none"> • death; or • total and permanent disablement; or • redundancy in some circumstances. <p>The accelerated vesting of some or all of the performance rights under the Plan in connection with the cessation of employment of the Managing Director & CEO and/or the ability of the Managing Director & CEO to retain some or all of the performance rights on cessation of employment may constitute a termination benefit under the Corporations Act.</p>	<p>The value of any such benefit cannot be ascertained as at the date of the Notice of Meeting. The value of the benefit will depend on:</p> <ul style="list-style-type: none"> • the number of performance rights granted and held by the Managing Director & CEO in accordance with the Plan; • the number of performance rights (if any) held by the Managing Director & CEO which the Board determines should vest; and • the market price of shares at the time such performance rights are exercised and converted into shares. <p>Key matters, events or circumstances which will, or are likely to affect the calculation of the value of any accelerated or automatic vesting of performance rights include:</p> <ul style="list-style-type: none"> • the financial performance of the Company; • the personal performance of the Managing Director & CEO each year; • the number of years that the Managing Director & CEO has been employed with the Company; • the circumstances in which the Managing Director & CEO ceases his employment with the Company; • the proportion of the performance period served by the Managing Director & CEO as at the date his employment ceases; and • performance against the performance conditions as at the date on which the Managing Director & CEO ceases his employment.

Board recommendation

The Board (with Mr Mercer abstaining and not voting) recommends that shareholders vote in favour of the resolution in Item 6.

Voting exclusion statement

Please refer to Item 6 of 'Voting Exclusion Statements' in General Information below.

Item 7: Approval of shares issued to Corpsand Pty Ltd under ASX Listing Rule 7.1

Pursuant to the Company acquiring Netregistry Group Limited on 31 March 2014, the amount of 9,208,363 ordinary shares were issued to Corpsand Pty Ltd (wholly owned by Mr Larry Bloch) at an issue price of \$1.30 as partial consideration for the transfer of shares held by Corpsand Pty Ltd in Netregistry Group Limited, as disclosed to the market on 31 March 2014.

ASX Listing Rule 7.1 provides that an ASX listed entity must not issue equity securities that total more than 15% of its fully paid ordinary shares in a 12 month period without shareholder approval (**15% Rule**). The issue of these 9,208,363 ordinary shares to Corpsand Pty Ltd represents 9.91% of ordinary shares in the Company. Accordingly, if the Company wanted to issue further shares in the same 12 month period, it could only issue an additional 5.09% without shareholder approval.

Accordingly, the Company is seeking shareholder approval of the 9,208,363 shares issued to Corpsand Pty Ltd under ASX Listing Rule 7.1, which will result in 9.91% of the shares in the Company not being included in the calculation of the 15% Rule. This will provide the Company with greater flexibility to issue additional shares up to 15% without the need to call an additional general meeting and seek shareholder approval.

Voting exclusion statement

Please refer to Item 7 of 'Voting Exclusion Statements' in General Information below.

Item 8: Financial assistance

Background

Under the agreement entitled 'Share purchase agreement (for shares in Netregistry Group Limited ACN 128 050 019)' dated 27 February 2014 between the Company, the Target, the persons named in schedule 2 of that document as 'Sellers' and 'Guarantors' and the persons named in schedule 1 of that document as 'Restrained Persons' (**Share Purchase Agreement**), the Company acquired (directly or indirectly) the Acquired Company Shares (the **Acquisition**). The Acquisition occurred on 31 March 2014.

In order to assist in funding the purchase price for the Acquisition, the Company, WebCentral Pty Ltd (ACN 084 429 318) and WebCentral Group Pty Ltd (ACN 063 963 039) (together, the **Borrowers**) entered into the document titled 'A\$ facilities agreement – Melbourne IT group' (the **Facility Agreement**) dated 26 March 2014 with National Australia Bank Limited (ABN 12 004 044 937) (the **Lender**). Under the Facility Agreement, the Lender agrees to provide financial accommodation (the **Facilities**) to the Borrowers from time to time.

Under the terms of the Facility Agreement, the Company is required to ensure that certain Acquired Companies give a guarantee and indemnity in favour of the Lender to guarantee all amounts (the **Guaranteed Money**) owing under or in relation to the Facilities (the **Guarantee**).

In addition to acceding to the Facility Agreement and giving the Guarantee, certain Acquired Companies may, or may be required to:

- (a) execute, or accede or consent to:
 - (i) a deed entitled "Guarantee and indemnity – Netregistry group transactional facilities" (the **NRG Guarantee**) dated 26 March 2014 between:
 - (A) the Company, WebCentral Pty Ltd (ACN 084 429 318) and WebCentral Group Pty Ltd (ACN 063 963 039); and
 - (B) the Lender,in which the Company, WebCentral Pty Ltd (ACN 084 429 318) and WebCentral Group Pty Ltd (ACN 063 963 039) gives a guarantee and indemnity in favour of the Lender to guarantee all amounts (the **NRG Guaranteed Money**) owing under or in relation to certain corporate facilities (the **NRG Corporate Facilities**) entered into between certain Acquired Companies and the Lender; and
 - (ii) any instrument referred to in, or incidental or related to, the "Finance Documents" (as defined in the Facility Agreement, and including any document to be entered into at any time for the purpose of amending, varying, replacing, restating, novating or supplementing such instruments) (the **Finance Documents**);
- (b) subordinate its intercompany claims;
- (c) transfer assets to, or assume other liabilities of, the Company or other subsidiaries of the Company (the Company and its subsidiaries together the **Group**);
- (d) make available directly or indirectly its cash flows or other resources in order to enable other members of the Group to comply with their obligations under the Finance Documents; and
- (e) provide additional support (which may include incurring additional obligations, giving new guarantees or new security interests) in connection with the Finance Documents, including in connection with any refinancing of amounts owing under or in respect of the Finance Documents.

Accession by certain Acquired Companies to the Facility Agreement and the NRG Guarantee, and entry into any of the other transactions listed or contemplated above (together, the **Financial Assistance**) will have the effect of certain Acquired Companies financially assisting in the acquisition of their own shares for the purposes of the Corporations Act.

Why shareholder approval is required

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares in it or its holding company only in certain limited circumstances, including where the assistance is approved by shareholders under section 260B.

Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of the company at a general meeting by either:

- (a) a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- (b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

In addition, because the Acquired Companies became subsidiaries of a listed holding corporation (the Company) immediately after the Acquisition, the financial assistance must also be approved by a special resolution passed at a general meeting of the Company under section 260B(2) of the Corporations Act.

The giving of the Financial Assistance has been, or will be, approved by a unanimous resolution of each of the Acquired Companies in accordance with section 260B(1) of the Corporations Act. Accordingly, it is proposed that the Financial Assistance now be approved by special resolution of the shareholders of the Company.

Effect of the Financial Assistance

The Company is already itself liable for amounts payable under the Finance Documents and has provided the Guarantee and the NRG Guarantee, so the giving of the Financial Assistance is unlikely to adversely affect the Company or the Acquired Companies, except that the operations of the Acquired Companies will be restricted by the representations and undertakings given by them under the Finance Documents and NRG Guarantee.

The Guarantee and NRG Guarantee to be given by certain Acquired Companies will be on substantially the same terms as the Guarantee and NRG Guarantee already given by the Company and the other Borrowers to secure the Guaranteed Money and NRG Guaranteed Money respectively.

The substantial effect of the Financial Assistance on certain Acquired Companies will be that each of them will have guaranteed the amounts payable under the Finance Documents and the NRG Guarantee.

The principal advantage to the Company (and, indirectly, the Acquired Companies giving Financial Assistance) is to ensure that the Company and its subsidiaries continue to have the benefit of the Facilities and the NRG Corporate Facilities and comply with their obligations under the Facility Agreement and the NRG Guarantee.

Other advantages to the Acquired Companies giving Financial Assistance include that they:

- (a) may benefit from the working capital facilities provided under the Finance Documents;
- (b) may benefit from repayment of their existing indebtedness from funds drawn under the Facilities; and
- (c) will be able to draw on the capital resources and management expertise of the Group, while retaining existing expertise and knowledge in the industry in which they operate.

On the other hand, the disadvantages of the Financial Assistance for the Acquired Companies giving Financial Assistance include that:

- (a) they will become liable for all amounts outstanding under the Finance Documents and the NRG Guarantee;
- (b) if an event of a default was to occur under the Facility Agreement or NRG Guarantee, the Lender may require immediate repayment of all amounts outstanding under the Finance Documents or NRG Guarantee (respectively). This may result in a winding up, which could result in a lower return than could have been achieved had those assets been sold in the ordinary course of business; and
- (c) their operations and ability to independently obtain finance from other sources may be restricted by the undertakings, representations and warranties given under the Finance Documents and the NRG Guarantee.

The directors of the Company have considered the giving of the Financial Assistance and are of the opinion that there are reasonable grounds to believe that it is in the best interests and for the commercial benefit of the Company and each Acquired Company giving Financial Assistance.

Directors recommendation

The directors of the Company unanimously recommend that the shareholders of the Company vote in favour of Item 8.

Notice to ASIC

A copy of this Notice of Annual General Meeting was lodged with the ASIC before being sent to the shareholders of the Company, as required by section 260B(5) of the Corporations Act.

Disclosure

The directors of the Company consider that these Explanatory Notes contain all information known to the Company that would be material to the decision of the Company's shareholders on how to vote on the financial assistance resolution set out in Item 8, other than information which would be unreasonable to include because it had previously been disclosed to shareholders.

General Information

Definitions

"Closely Related Party", in relation to a member of the KMP means the member's spouse, child or dependant (or a child or dependant of the member's spouse), anyone else in the member's family who may be expected to influence or be influenced by the member in the member's dealings with the Company or the Group, and any company the member controls.

"Company" means Melbourne IT Ltd ABN 21 073 716 793.

"Group" means the Company and its related bodies corporate from time to time (as that term is defined in the Corporations Act).

"Corporations Act" means the Corporations Act 2001 (Cth).

“Executive Team” means current or future employees who have authority and responsibility for planning, directing and controlling the activities of the Company or the Group, directly or indirectly, including those named in the remuneration report from year to year; but *excluding* the Managing Director & CEO. The Executive Team includes the individuals who are listed in the 2013 Remuneration Report.

“KMP” or “Key Management Personnel” means those person having authority and responsibility for planning, directing and controlling the activities of the Company or the Group, whether directly or indirectly, including any director (whether executive or otherwise) of the Group. Members of the KMP include directors (both executive and non-executive) and certain senior executives.

Voting Exclusion Statements

Item 3: Adoption of Remuneration Report for the Year Ended 31 December 2013

In accordance with the Corporations Act, no vote may be cast (in any capacity) on this resolution by or on behalf of:

- any member of the Key Management Personnel (**KMP**) details of whose remuneration are included in the Remuneration Report for the year ended 31 December 2013, or
- a Closely Related Party of any such member of the KMP.

However, a KMP or a KMP’s Closely Related Party may vote on this resolution as proxy if the vote is not cast on behalf of a KMP or a KMP’s Closely Related Party and:

- the appointment of the proxy is in writing and specifies the way the proxy is to vote on this resolution; or
- the proxy is the Chairman of the AGM and the appointment of the Chairman of the AGM as proxy:
 - does not specify the way the proxy is to vote on this resolution; and
 - expressly authorises the Chairman of the AGM to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of the KMP.

If you appoint the Chairman of the AGM as your proxy and you do not direct your proxy how to vote on this resolution, you will be expressly authorising the Chairman of the AGM to exercise your proxy even if this resolution is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the AGM.

Item 4: LTI Plan – Approval of Melbourne IT Long Term Incentive Plan FY 2014

The Company will disregard any votes cast on Item 4 (Approval of Melbourne IT Limited Long Term Incentive Plan) by any Director of the Company (except one who is ineligible to participate in an employee incentive scheme in relation to the Company), and their associates.

Further, a vote must not be cast on Item 4 by any member of the key management personnel (KMP) of the Company, or a closely related party of any member of the KMP, that is appointed as proxy, if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote on Item 4 (and that person is not prohibited from voting) if the vote is cast by:

- a person identified above as proxy for a person who is entitled to vote on Item 4 and the vote is cast in accordance with the directions on the proxy form; or
- the Chairman of the meeting (who may be a KMP) as a proxy for a person who is entitled to vote and the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

If you appoint the Chairman of the AGM as your proxy on Item 4 and you do not direct your proxy how to vote on Item 4, you will be expressly authorising the Chairman of the AGM to exercise your proxy, even if the resolution is connected, directly or indirectly, with the remuneration of the KMP. The Chairman intends to exercise any such proxies by voting in favour of Item 4.

Item 5 (LTI Plan – Grant of Performance Rights to the Managing Director and Chief Executive Officer) and Item 6 (Approval of potential termination benefits provided to the Managing Director and Chief Executive Officer)

The Company will disregard any votes cast on:

- Item 5 (Approval of Grant of Performance Rights to the Managing Director and Chief Executive Officer); and
- Item 6 (Approval of potential termination benefits provided to the Managing Director and Chief Executive Officer)

by Mr Martin Mercer, any other Director of the Company (except one who is ineligible to participate in an employee incentive scheme in relation to the Company), or their associates.

Further, a vote must not be cast on Item 5 or Item 6 by any member of the key management personnel (**KMP**) of the Company, or a closely related party of any member of the KMP, that is appointed as proxy, if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote on Item 5 or Item 6 (as applicable)(and that person is not prohibited from voting) if the vote is cast by:

- a person identified above as proxy for a person who is entitled to vote on Item 5 or Item 6 (as applicable) and the vote is cast in accordance with the directions on the proxy form; or
- the Chairman of the meeting (who may be a KMP) as a proxy for a person who is entitled to vote and the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

If you appoint the Chairman of the AGM as your proxy on Item 5 or Item 6 (as applicable)and you do not direct your proxy how to vote on Item 5, you will be expressly authorising the Chairman of the AGM to exercise your proxy, even if the resolution is connected, directly or indirectly, with the remuneration of the KMP. The Chairman intends to exercise any such proxies by voting in favour of Item 5 and/or Item 6 (as applicable).

Item 7: Approval of shares issued to Corpsand Pty Ltd under ASX Listing Rule 7.1

The Company will disregard any votes cast on Item 7: Approval of shares issued to Corpsand Pty Ltd under ASX Listing Rule 7.1 by Larry Bloch, and his respective associates.

However, the Company need not disregard a vote on Item 7 (and that person is not prohibited from voting) if the vote is cast by:

- a person identified above as proxy for a person who is entitled to vote on Item 7 and the vote is cast in accordance with the directions on the proxy form; or
- the Chairman of the meeting as a proxy for a person who is entitled to vote and the proxy appointment expressly authorises the Chairman to exercise the proxy.

If you appoint the Chairman of the AGM as your proxy on Item 7 and you do not direct your proxy how to vote on Item 7, you will be expressly authorising the Chairman of the AGM to exercise your proxy. The Chairman intends to exercise any such proxies by voting in favour of Item 7.

How to vote

As a shareholder, you can vote on the items of business by:

- attending the AGM;
- or appointing a proxy, representative or attorney to attend the AGM and vote on your behalf.

Proxies

A member entitled to attend and vote at the AGM may appoint a person to attend and vote at the meeting as the member's proxy. If a member is entitled to cast two or more votes at the AGM, they may appoint two proxies. If you wish to appoint a second proxy you will need to complete a second form. Please contact Link Market Services Limited (**Link**) on 1300 55 44 74 or +61 (0)2 8280 7761 to obtain an additional Proxy Form.

A proxy need not be a member and can be an individual or a body corporate. If two proxies are appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If the vote split is not specified, it is deemed to be equally divided between the two proxies.

Proxies may only be appointed by returning the enclosed Proxy Form to Link no later than 11am (Melbourne time) Sunday 25 May 2014. The Proxy Form can be sent by facsimile to Link on +61 (0)2 9287 0309, sent by post to Link at Locked Bag A14, Sydney, NSW 1235 or lodged online in accordance with the instructions below. If returning the Proxy Form by post, you may need to allow extra time for delivery to ensure it is received no later than 11am (Melbourne time) Sunday 25 May 2014.

The Proxy Form must be signed by the member or an attorney duly authorised in writing. If the member is a company, the form must be executed under the seal of the company or by its duly authorised officer or attorney. Where two or more persons are registered as members each person must sign the Proxy Form. If the proxy form is signed under a power of attorney on behalf of a shareholder, the attorney must ensure that either the original power of attorney or a certified copy is sent with the proxy form (unless it has already been provided to Link). A proxy cannot be appointed under a power or attorney (or similar authority) online.

The Company offers shareholders the ability to lodge proxy forms online. To lodge your proxy from online, please go to <http://melbourneit.info/investor-centre/shareholder-services>. Click on the link that states "Login to the secure shareholder services console". You will then need to enter your Security Reference Number (SRN) or Holder Identification Number (HIN), your surname or company name, and your postcode. Then choose "Proxy Voting" from the "Actions" drop down box and follow the online prompts. Note: If you lodge your proxy form online, you do not need to return a hard copy proxy form. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

Voting by proxies

Shareholders should consider directing their proxy how to vote on each resolution by crossing a "For" or "Against" box when completing their proxy form to ensure that their proxy is permitted to vote on their behalf in accordance with their instructions.

Pursuant to the Corporations Act, if the appointment of a proxy specifies the way the proxy is to vote on a particular resolution:

- the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting exclusions);
- if the proxy has two or more appointments that specify different ways to vote on the resolutions, the proxy must not vote on a show of hands;
- if the proxy is not the Chairman of the AGM, the proxy need not vote on a poll but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions); and
- if the proxy is the Chairman of the AGM, the proxy must vote on a poll and must vote as directed.

Default to Chairman

If:

- a poll has been called on a resolution; and
- a shareholder has appointed a proxy other than the Chairman of the AGM and the appointment of the proxy specifies the way the proxy is vote on the resolution; and
- the shareholder's proxy is either:
 - not recorded as attending the AGM; or
 - attends the AGM but does not vote on the resolution,

then the Chairman of the AGM, will before voting on the resolution closes, be taken to have been appointed as the proxy for that shareholder for the purposes of voting on that resolution. In these circumstances, the Chairman of the AGM must vote in accordance with the written direction of that shareholder.

Corporate Representatives

For a Corporate Representative to vote, they will require a Certificate of Appointment of Corporate Representative executed in accordance with the Corporations Act.

Voting Entitlements

On a show of hands, every member present in person or by proxy or by attorney or, in the case of a corporation, by duly appointed representative, shall have one vote and on a poll one vote for every share held. However if a member appoints two proxies or two attorneys, neither proxy nor attorney shall be entitled to vote on a show of hands.

In accordance with the Corporations Act, shares will be taken to be held by those persons recorded on the Company's register as at 11.00am (Melbourne time) on Sunday, 25 May 2014.



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